



**FACTORS THAT INFLUENCE CUSTOMER RETENTION OF USING INTERNET
BANKING IN MALAYSIA**

MOHAMAD SHAMSUL IDHAM BIN MOHD SALLEH

2010975551

**BACHELOR OF BUSINESS ADMINISTRATION (HONS) FINANCE
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
KELANTAN**

DECEMBER 2013

ACKNOWLEDGEMENT

“In the name of God, the most Gracious and Most Merciful”

First and foremost, I would like to express my gratitude to Allah S.W.t for giving me the guidance and strength during the whole process of completing this research project. He has gave me the spirit and patient that I needed to complete this compulsory task. Without His blessing, it will be impossible for me to complete this research.

Secondly, a thousand thank you to my advisor Madam Nurazleena Binti Ismail for her kind patience, encouragement as well as dedicated guidance. Her valuable suggestion and comments for my research improvement have truly inspired me.

Besides that, I would like to express my deepest gratitude to my supervisor at PETRONAS Chemicals Group Berhad, Mr. Lokman Harris, who has directly and indirectly helped me to complete this research.

I would also like to extend my deepest gratitude goes to my beloved parents. Their moral and financial support, kind understanding, love and personal attention towards the completion of this research will not be forgotten. May Allah bless them with good life and happiness in this world and thereafter.

Last but not least, a thousand thank you to my friends who have supported and helped me during the completion of this research. Their sincere and kind help has really enhanced my spirit, determination and enthusiasm to go on with this research until the end. Thank you very much again to all parties who have helped me to finish this research.

TABLE OF CONTENTS

CONTENTS	PAGE
Declaration of Original Work	iii
Letter of Transmittal	iv
Acknowledgement	v
Table of Contents	vi
List of Tables	xi
List of Figure	xii
Abstract	xiii
 CHAPTER 1: INTRODUCTION	 1
1.0 Chapter Overview	1
1.1 Background of Study	1
1.2 Problem Statement	4
1.3 Objectives of Study	6
1.3.1 Main Research Objective	6
1.3.2 Other Research Objectives	6
1.4 Research Question	7
1.5 Hypothesis	8
1.5.1 Hypothesis 1	8
1.5.2 Hypothesis 2	8
1.5.3 Hypothesis 3	9
1.5.4 Hypothesis 4	9
1.6 Significant Of Study	10
1.6.1 Banking Institutions in Malaysia	10
1.6.2 Customers	10
1.6.3 Other Researchers	11

1.7 Definition of Term	12
1.7.1 Internet Banking	12
1.7.2 Customer Retention	12
1.7.3 Responsiveness	12
1.7.4 Ease of Use	12
1.7.5 Privacy	13
1.7.6 Assurance	13
 CHAPTER 2: LITERATURE REVIEW	 14
2.0 Chapter Overview	14
2.1 Internet Banking	14
2.2 Internet Banking In Malaysia	16
2.3 Customer Retention	17
2.4 Responsiveness	18
2.5 Ease to Use	19
2.6 Privacy	19
2.7 Assurance	20
2.8 Theoretical Framework	22
 CHAPTER 3: RESEARCH METHODOLOGY	 24
3.0 Chapter Overview	24
3.1 Research Design	24
3.1.1 Type of Study	24
3.1.2 Extent of Researcher Interference	24
3.1.3 Study Setting	24
3.1.4 Unit of Analysis	25
3.2 Data Collection Method	25
3.2.1 Primary Data	25
3.2.2 Secondary Information	25

ABSTRACT

This study is regarding the factors that influence customer retention of using internet banking in Malaysia. It was conducted to identify the factors that influence customer retention of using internet banking service in Malaysia, to investigate the relationship between responsiveness, ease to use, privacy, and assurance (independent variables) of internet banking service with customer retention (dependent variable) of using internet banking service in Malaysia, and to identify the most and least influential factors that influence customer retention of using internet banking service in Malaysia. In this study, 100 questionnaires have been distributed to the respondents which are internet banking users in Kuala Lumpur City Center (KLCC). The researcher has conducted frequency analysis, reliability test, correlation analysis, regression analysis, and descriptive statistic on mean value in order to achieve the objectives of this study. The findings of this study show that the factors that influence customer retention of using internet banking service in Malaysia are responsiveness, ease to use, privacy, and assurance. Besides that, the study also revealed that all independent variables in this study has strong positive and significant relationship with customer retention. In addition, the findings of this study also show that, the most influential factor that influence customer retention of using internet banking service in Malaysia is ease to use while, the least influential factor that influence customer retention of using internet banking service in Malaysia is responsiveness. At the final part of this research report, the researcher has gave recommendations for banking institutions in Malaysia, for customer and for future researcher.